

2008-1595

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# MIDLANDS UTILITY, INC.

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LEXINGTON, SOUTH CAROLINA 29072  
TELEPHONE: 359-4803

July 7, 2010

Mrs. Barbara J. Williams, President  
Northwood Estates Neighborhood Association  
1834 Lake Drive  
Orangeburg, South Carolina 29115

RE: Northwood Estates  
Sanitary Sewer Service  
Orangeburg County

This letter is to thank you and to acknowledge the receipt of your letter dated June 21, 2010 concerning the above referenced sewer system. Your letter contains four areas of concern. These concerns will be addressed in this letter but a brief history of the system is necessary to understand the underlying circumstances.

Midlands Utility, Inc., ("Midlands") purchased the sewer system and others around 1976 from Heater Utilities, Inc. The system consisted of a collection system and an eleven-acre facultative lagoon for treatment. The discharge of this lagoon effluent was into a drainage ditch behind Oaklane Drive. The quality of the effluent required by DHEC is dependent on the volume of flow of the receiving water body. Since the effluent was discharged into a ditch the quality standards for the effluent were very high. Compliance with these standards could not be met with the facultative lagoon.

Midlands researched different alternatives to comply with the effluent requirements. A geotechnical engineer was hired to evaluate a possible spray site. This would allow the effluent to be sprayed on a crop instead of discharge into a stream. After review, the engineer concluded the soils in the area were unacceptable for spray irrigation. The only other alternative was to transport the wastewater to Orangeburg DPU for treatment and disposal. In 1999, Midlands installed a six-inch force main to DPU. This project also included a new master pump station and related equipment. In addition to the capital cost of the project, Midlands paid a 500-dollar capacity fee for each resident connected to DPU. The last DHEC requirement required for the project included the proper closeout of the eleven-acre lagoon. Midlands properly closed out the lagoon according to the requirements under regulation and with considerable cost.

When the system was connected to DPU the sewer rates were on a flat rate basis. Midlands was required to pay for the metered wastewater to DPU. We were alarmed at the amount that we were paying for treatment. Midlands took on an aggressive program to stop inflow/infiltration into the sewer system. Several thousand feet of sewer main were slip-lined and many manholes were raised and repaired.

These operations resulted in a dramatic reduction in flow. The average flow during 2009 was 250 gallons per day per house.

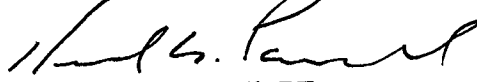
In your letter there are four areas of concern. Each is discussed below:

1. *The price of the services is not competitive.* One of the largest factors is the economy of scales. Midlands has invested a large amount of money in order to comply with State Law and DHEC requirements. With approximately 85 residents, this results in a larger burden placed on the homeowner. The monthly bill consists of a fixed portion by Midlands and a variable portion by DPU. The Midlands portion covers the debt on the improvements, billing, electricity, service calls, and maintenance. The DPU bill includes a fixed service charge and a variable treatment charge, none of which is under Midlands' control
2. *It is too high and escalating at an unacceptable rate.* The Midlands portion was approved by the SC Public Service Commission in 2004 and has not been increased since. DPU has had several increases during this time. November was the most recent and this notice was mailed to all of the residents.
3. *A disparity in monthly fees.* As explained above, the Midlands portion is a fixed rate and the variable rate is DPU. In addition, Midlands pays for any volume exceeding 400 gallons per day, per resident. The 400 gallons per day is the maximum residential loading per "Guidelines for Unit Contributory Loadings to Wastewater Treatment Facilities". In 2009 there were two months that volume was over 400 gallons per day. During 2009, the average sewer flow was 250 gallons per day per resident. DPU records indicate an average water usage of 200 gallons per day per residence.
4. *We see no evidence of repairs being made to the system even though we continue to be charged astronomical fees.* As stated above, Midlands has invested a tremendous amount of money and labor in the system in order to comply with the regulations and requirements. The rates from Midlands have been held steady without rate increases except for the DPU which is not under Midlands' control. Repair maintenance continues although rates have not increased. Any substantial additional costs will necessitate that Midlands evaluate taking it's rate structure to the South Carolina Public Service Commission.

Please find enclosed an analysis that shows the actual flows and cost for 2009. Perhaps the concerns addressed in your letter will be better understood with the history related.

Sincerely,

MIDLANDS UTILITY, INC.

A handwritten signature in black ink, appearing to read "Keith G. Parnell", written over the printed name.

Keith G. Parnell, PE

cc: file

Orangeburg County Council

Mr. Fred Boatwright

DHEC

Congressman James Clyburn

Senator John W. Matthews

Representative Gilda Cobb-Hunter

Public Service Commission

gpd/house	DPU service chge	DPU treatment chg	Midlands chg	total
150	\$13.24	\$11.67	\$23.03	\$47.94
200	\$13.24	\$15.56	\$23.03	\$51.83
250	\$13.24	\$19.45	\$23.03	\$55.72
300	\$13.24	\$23.34	\$23.03	\$59.61
350	\$13.24	\$27.23	\$23.03	\$63.50
400	\$13.24	\$31.12	\$23.03	\$67.39

	2009 CF ww meter	gpd/res	avg water useage savings	
Jan	107735	327.63	200	\$992.91
Feb	78496	238.71	200	\$301.16
Mar	131522	399.97	200	\$1,555.68
Apr	158628	482.40	200	\$1,555.94
May	130123	395.71	200	\$1,522.58
Jun	139985	425.70	200	\$1,555.94
Jul	78447	238.56	200	\$300.00
Aug	59676	181.48	200	\$0.00
Sep	35438	107.77	200	\$0.00
Oct	26317	80.03	200	\$0.00
Nov	27215	82.76	200	\$0.00
Dec	38343	116.60	200	\$0.00

256.44 \$7,784.21

save to cust \$7.91  
per mo

20 yr payback \$36,281.85  
8%